

IN THE EXECUTIVE ETHICS COMMISSION  
OF THE STATE OF ILLINOIS

In re: ILLINOIS DEPARTMENT                    )  
      OF TRANSPORTATION                    )     OEIG Case # 08-01116

OEIG FINAL REPORT (REDACTED)

Below is a final summary report from an Executive Inspector General. The General Assembly has directed the Commission to redact information from this report that may reveal the identity of witnesses, complainants or informants and “any other information it believes should not be made public.” 5 ILCS 430/20-52(b).

The Commission exercises this responsibility with great caution and with the goal of balancing the sometimes competing interests of increasing transparency and operating with fairness to the accused. In order to balance these interests, the Commission may redact certain information contained in this report. The redactions are made with the understanding that the subject or subjects of the investigation have had no opportunity to rebut the report’s factual allegations or legal conclusions before the Commission.

The Executive Ethics Commission (“Commission”) received a final report from the Governor’s Office of Executive Inspector General (“OEIG”) and a response from the agency in this matter. The Commission redacted the final report and mailed copies of the redacted version and responses to the Attorney General, the Governor’s Executive Inspector General and the Illinois Department of Transportation.

These recipients were given fifteen days to offer suggestions for redaction or provide a response to be made public with the report. Even though no person received discipline of three days’ suspension or greater, the Commission concludes that the issues contained in this report are significant enough to warrant release. The Commission, having reviewed all suggestions received, makes this document available pursuant to 5 ILCS 430/20-52.

This report is unusual in that the OEIG made no findings against individuals. Rather, both findings were directed against the Illinois Department of Transportation. For this reason, the Commission has redacted the names of all individuals involved in this investigation.

**FINAL REPORT**

**I. ALLEGATIONS**

The Office of the Executive Inspector General (“OEIG”) received a complaint alleging that the Illinois Department of Transportation (“IDOT”) allowed youth workers in the 2008

Summer Youth Employment Program (“SYEP” or the “Program”)<sup>1</sup> to perform work that was not within the scope of the governing contracts and paid service providers in the Program based on fraudulent time sheets.

The investigation revealed that IDOT improperly made payments to fiscal agents in the Program without ensuring that the Program had been operating successfully as required by the contracts. The investigation also revealed that IDOT improperly used funds designated for transportation-related activities to pay for work performed in the SYEP that was not transportation-related.

## **II. BACKGROUND**

### ***A. Overview of the 2008 Summer Youth Employment Program***

In 2008, former Illinois Governor Rod Blagojevich’s office initiated the SYEP to provide Illinois youth workers (“Youth Workers”) with summer 2008 employment opportunities. A June 26, 2008 press release stated that up to 10,000 Youth Workers would participate in the Summer Youth Program coordinated by the Illinois Department of Human Services (“DHS”) and IDOT. According to this press release, the Program would help the Youth Workers establish productive work habits while investing in their communities.

Under the Program, Youth Workers aged 13 to 15 would work 20 hours per week and receive a stipend of \$250 at the end of the Program. Youth Workers aged 16 to 18 would work 20 hours per week and earn \$8.00 per hour. Youth Workers aged 19 to 22 would work 25 hours per week and earn \$10.00 per hour. The Program was scheduled to begin in early July 2008 and run about eight weeks.

In the Program, Youth Workers performed services for various so-called “Service Providers.” The Service Providers were to provide employment opportunities focused on community service, community and highway beautification, job training programs, and pre-professional training. The Service Providers were managed by organizations referred to as “Fiscal Agents.” Fiscal Agents distributed funds to Service Providers and collected certified documents that each Service Provider was required to submit. The Fiscal Agents were managed by DHS. For services provided, Service Providers and Fiscal Agents were paid administrative fees.

### ***B. Use of IDOT Road Funds for the 2008 Summer Youth Employment Program***

The State Finance Act<sup>2</sup> creates special funds in the State Treasury, including the Road Fund. The Road Fund is one of the two main sources of revenue for IDOT. Specifically, the Road Fund receives funding from designated sources, such as motor fuel taxes, motor vehicle registration, and federal reimbursements. Road Funds are included in IDOT’s State budget appropriations under “Line Item 7900” and are only to be used for transportation-related purposes including construction, extension, and improvement of highways, roads, and rest areas

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<sup>1</sup> This Program was also referred to as the Summer Youth Works 2008.

<sup>2</sup> 30 ILCS 105/5.

and for other purposes provided in the Illinois Highway Code.<sup>3</sup> In 2008, IDOT used or allocated approximately \$7 million of the Road Fund budget for the Youth Workers ages 19 to 22.<sup>4</sup>

### ***C. Intergovernmental Agreement Between DHS and IDOT***

In light of the fact that DHS, which would administer the Program, did not have authority to spend Road Fund money, DHS and IDOT entered into an Inter-Agency Agreement (“IGA”).<sup>5</sup> The June 13, 2008 IGA set forth how IDOT funds would be used for the Program. In Section B of the IGA, DHS and IDOT agreed that IDOT would facilitate the employment for participants identified by DHS and required that:

All job opportunities provided as part of the Program shall be transportation-related jobs specifically agreed to in writing by IDOT, in support of IDOT projects. These Job opportunities may include: a. Beautification projects; b. Litter collection; c. Painting; d. Bike path maintenance; e. Highway greening projects; f. Apprenticeships with IDOT consultants, engineering firms, contractors and subcontractors; and, g. Other transportation-related career opportunities approved by IDOT.

Section B of the IGA also provided that:

- the Program would provide summer jobs and career experience for at-risk students and youth throughout Illinois from July 1, 2008 through August 29, 2008;
- DHS was responsible for managing the “Lead Providers” (Fiscal Agents);
- IDOT would determine the locations of the employment opportunities;
- a committee of DHS and IDOT staff would oversee the implementation of the program and ensure that the job opportunities provided are transportation-related and otherwise facilitate the scope and success of the project;
- the Fiscal Agents were required to provide weekly reports reflecting the number of Youth Workers placed and the types of jobs in which they were placed;
- IDOT would provide an advance payment equal to one-half of IDOT’s commitment to the Fiscal Agents at the start of the project;
- IDOT would provide an advance payment for the second half of IDOT’s commitment to the Fiscal Agents “... after the Program has been successfully operational for a period of four (4) weeks;”
- IDOT would continue to require weekly reports from the Fiscal Agents throughout the duration of the Program to ensure compliance; and
- IDOT would require a post-program audit to ensure that funds were properly used for placing Youth Workers in transportation-related jobs.

### ***D. DHS’s Selection of Five Fiscal Agents and the Fiscal Agent Agreements***

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<sup>3</sup> 605 ILCS 5/1-101 et seq.

<sup>4</sup> According to IDOT Chief Counsel [redacted] and Chief Financial Review Officer [redacted], while the Road Fund does contain some federal funding, only State funding was used for the SYEP.

<sup>5</sup> The Inter-Agency Agreement was also referred to as an Inter-Governmental Agreement.

DHS selected five Fiscal Agents to administer the Program. Specifically, DHS identified:

- Mujeres Latinas en Acción (translated as “Latin Women in Action”),
- The Black United Fund of Illinois,
- The Alternative School Network,
- The Westside Health Authority, and
- The Chicago Area Project.

DHS and the Governor’s Office selected various Service Providers, whom the Fiscal Agents paid to employ the Youth Workers.

After the above five Fiscal Agents were selected, IDOT and DHS signed Administrative/Operational Agreements (“Agreements”) with each of them in late July or early August 2008.<sup>6</sup> Despite their execution in late July or early August, the Agreements were all effective from July 1, 2008 through June 30, 2009. Under the Agreements, the Fiscal Agents received an administrative fee of 10% of the funding (15% for Chicago Area Project) and the Service Providers each received a 15% Administrative Fee. Each Agreement incorporated several attachments into the scope of services.

The attachments included the IGA, a document entitled “Summer Youth Employment Program” that indicated IDOT was sponsoring Youth Workers aged 19 to 22 years old, an employee time sheet form, a weekly progress report form that included lists of duties/assignments/projects in which the Youth Workers participated, and an employee evaluation form. The attachments also provided examples of acceptable transportation-related job opportunities for the Youth Workers.<sup>7</sup>

Former DHS Secretary [redacted], then IDOT Director of Finance and Administration [redacted],<sup>8</sup> IDOT Chief Counsel [redacted], and former IDOT Secretary [redacted] signed the Agreements on behalf of the State, and a representative signed for each Fiscal Agent. The following table shows the cost estimates attached to the Agreements (post August-2008 amendment):

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<sup>6</sup> The Agreements were subsequently amended in August 2008 to include the administrative fees in the total estimated amount payable.

<sup>7</sup> The examples included beautification projects, litter collection, painting, bike path maintenance, highway greening projects, apprenticeships with IDOT consultants, engineering firms, contractors and subcontractors, and other transportation-related career opportunities approved by IDOT.

<sup>8</sup> [Redacted].

<b>Fiscal Agents</b>	<b>Number of Service Providers</b>	<b>Estimated Number of Youth Workers</b>	<b>Wages for Youth Workers</b>	<b>Fiscal Agent Admin. Fee<sup>9</sup></b>	<b>Service Provider Admin. Fee</b>	<b>Total Dollar Amount</b>
Mujeres Latinas en Acción	28	325	699,725.00	69,972.50	104,958.75	874,656.25
Black United Fund of Illinois	18	790	1,700,870.00	170,087.00	255,130.50	2,126,087.50
Alternative School Network	22	300	645,900.00	64,590.00	96,885.00	807,375.00
Westside Health Authority	18	325	699,725.00	69,972.50	104,958.75	874,656.25
Chicago Area Project	49	1107	2,383,371.00	357,505.65	357,505.65	3,098,382.30
<b>Totals</b>	<b>135</b>	<b>2847</b>	<b>\$6,129,591.00</b>	<b>\$732,127.65</b>	<b>\$919,438.65</b>	<b>\$7,781,157.30</b>

### **III. INVESTIGATION**

#### ***A. OEIG Review of Program Documents***

##### ***1. Review of 2008 Summer Youth Employment Program Weekly Reports***

OEIG investigators reviewed weekly progress reports submitted to IDOT by the five Fiscal Agents. Because of the large volume of information, investigators removed every third folder in each of the 12 boxes of documentation provided by the Fiscal Agents and then removed all of the weekly progress reports from those folders. Investigators then reviewed every third weekly progress report for a description of the employment activity conducted by the Youth Workers.

##### ***a. Review of Mujeres Latinas en Acción Weekly Progress Reports***

Investigators reviewed 11 weekly progress reports for Fiscal Agent Mujeres Latinas en Acción. Of those reports, only about eight made general references to jobs that appeared to be transportation-related, such as “clean California Avenue bike path,” and “street cleanup.” However, those eight reports also referenced other non-transportation activities, including:

- “Community organizing;”

<sup>9</sup> The Agreements indicated that certain Fiscal Agents would also act as Service Providers. In addition to the listed Fiscal Agent Administrative Fee, these Fiscal Agents would also receive a Service Provider Administrative Fee. For example, the Agreements stated that Fiscal Agent Mujeres Latinas en Acción would receive an additional Service Provider fee of \$12,918.00; Black United Fund would receive an additional fee of \$142,098.00; and the Chicago Area Project would receive an additional fee of \$105,604.65.

- “Assisted in health fair and cleanup;” and
- “Event planning.”

b. Review of Black United Fund Weekly Progress Reports

Investigators reviewed 130 weekly progress reports for Fiscal Agent Black United Fund. Of those reports, only about 84 made general references to what appeared to be transportation-related work. Within these reports, several contained more specific descriptions such as “street cleaning,” “litter collection,” “sweep IDOT routes and main streets as proposed,” “pick up trash along said routes,” and “removing trash from 63<sup>rd</sup> St.” The reports also referenced work that appeared unrelated to transportation, such as:

- “moving furniture;”
- “resume writing;”
- “teen health awareness;” and
- “conflict resolution class.”

c. Review of Alternative School Network Weekly Progress Reports

Investigators reviewed 24 weekly progress reports for Fiscal Agent Alternative School Network. Of those reports, only about two made general references to jobs that appeared to be transportation-related, such as “sidewalk roadway,” “street cleaning,” and “litter collection and removal.” The remaining 22 reports listed other activities that did not appear to be transportation-related, including:

- “Walk up to people;”
- “Ask Questions;”
- “Do surveys;” and
- “Count surveys.”

d. Review of Westside Health Authority Weekly Progress Reports

Investigators reviewed 99 weekly progress reports for Fiscal Agent Westside Health Authority. Of those reports, only about 30 made general references to what appeared to be transportation-related work. Several of these reports contained more specific descriptions of the work performed, such as “Litter cleanup,” “Litter collection,” and “Clean streets.” Sixty-seven of the reports provided only the Youth Workers’ names with no activities whatsoever listed.

e. Review of Chicago Area Project Weekly Progress Reports

Investigators reviewed 175 weekly progress reports. Of those reports, only about 141 made general references to what appeared to be transportation-related work. Within these 141 reports, several referenced more specific activities, such as “street pick up,” “painting,” “clean streets,” and “beautifying highway entrances/exits.” The reports also referenced work that appeared unrelated to transportation, such as:



- “rearrange furniture;”
- “dispose old furniture;”
- “help cart attendants at golf course;” and
- “clean out ball washer.”

## 2. *IDOT Authorizes Fiscal Agent Final Payments*

The OEIG obtained copies of the Program invoices each Fiscal Agent submitted at the end of August or early September 2008. The invoices indicated that on September 11, 2008, [redacted] authorized the final approval for payment to each Fiscal Agent.

The OEIG also obtained copies of two sets of payment vouchers for the Program from the Illinois Office of the Comptroller. The first set of payment vouchers indicates that IDOT made initial payments totaling about \$3,499,862.50 to the five Fiscal Agents at various times in August 2008. The second set of vouchers indicates that on September 15, 2008, IDOT made final payments totaling \$3,109,882.50 to the five Fiscal Agents.

### ***B. OEIG Review of IDOT Internal Audit of Program<sup>10</sup>***

In March and June 2010, IDOT Supervisor of the Bureau of Budget and Fiscal Management [redacted] issued five Audit Reports relating to the IDOT Agreements with each of the five Fiscal Agents.<sup>11</sup> The IDOT Audit Reports stated that the portion of the 2008 SYEP that IDOT sponsored consisted of the five Fiscal Agents (assigned 111 service providers) who employed almost 3,500 Youth Workers.<sup>12</sup> Each of the five Audit Reports stated that the audits involved a review of Fiscal Agent claimed costs, including a review of the billings and records for costs billed for the SYEP.

In addition, the Audit Reports stated that the audits were “. . . designed to provide reasonable, but not absolute, assurance that financial operations were properly conducted, the financial data and claims were presented fairly and accurately, [and] the activities were in compliance with applicable laws and regulations.” The Audit Reports also stated that the “. . . SYEP was as problematic as it was ambitious . . .,” and identified the following prevalent compliance issues:

- The Agreements were not signed and fully executed by IDOT prior to the July 1, 2008 effective date of the Agreements and commencement of SYEP activities.
- IDOT SYEP Agreements required all job opportunities to be transportation-related and in support of IDOT projects, however, submitted time sheets were typically vague, incomplete, did not note the location of work being performed, and noted activities unrelated to transportation and not in support of IDOT projects.

<sup>10</sup> The OEIG became aware in January 2009 that IDOT was conducting internal audits of SYEP payments and did not actively continue its investigation of the SYEP payment issues until the IDOT audits had been concluded.

<sup>11</sup> IDOT Audit Reports 10-13-001, 10-13-002, 10-13-003 Revised, 10-13-004 Revised, and 10-13-005.

<sup>12</sup> The Agreements provided that IDOT would pay 135 Service Providers to employ 2847 Youth Workers. However, according to the IDOT audits, IDOT ultimately paid 111 Service Providers to employ approximately 3,500 Youth Workers.

- Auditors could not ensure that reported activities were performed as indicated and by whom the activities were performed.
- IDOT did not perform on-site sub-recipient monitoring of Service Providers or Fiscal Agents to ensure adherence to the transportation-related provisions of the contracts.
- In light of timesheet discrepancies and the absence of on-site monitoring, auditors were unable to express an opinion on whether the activities performed met the transportation-related contractual provisions.
- Because of the compressed time to implement the SYEP, there was insufficient time to develop and implement adequate protocols for monitoring and directing Service Providers with respect to project performance expectations.
- Service Providers used W-2 and 1099 (independent contractor) forms as payment processing methods for the Youth Workers. The Service Providers were reimbursed for the employer share of Social Security and Medicare taxes for each of the Youth Workers they employed.
  - When a Youth Worker was hired as an independent contractor, no Social Security or Medicare taxes were withheld and no employer share was incurred, but the Service Provider still received reimbursement as if the Youth Worker were an employee (not an independent contractor).
  - The State reimbursed Service Providers for Social Security and Medicare taxes that the Service Providers never paid.
- Many of the Service Providers were small nonprofit and faith-based organizations without the expertise, systems, and controls to manage the demands of the SYEP.

In light of the numerous compliance issues, the IDOT Audit Reports noted that auditors focused on verifying the number of hours and costs submitted for reimbursement by the Service Providers and Fiscal Agents. Specifically, auditors compared the hours and costs submitted on time sheets to payroll registers, W-2 forms, IRS 1099 forms, and available cancelled payroll checks. For all of the participating Service Providers, auditors adjusted hours and costs billed, including Social Security and administrative fees as applicable. The auditors calculated the amount of the overpayment by subtracting Fiscal Agent fees, Social Security payments, and administrative fees from the total IDOT paid the Fiscal Agents. Auditors concluded that there had been an overpayment and all five Fiscal Agents were overpaid about \$643,583.14, as set forth below:<sup>13</sup>

<b>Fiscal Agent</b>	<b>Amount Paid by IDOT to Fiscal Agents</b>	<b>Actual Cost for Youth Workers &amp; Associated Administrative Fees</b>	<b>Amount of IDOT Overpayment</b>
Mujeres Latinas En Acción	460,712.84	384,177.16	76,535.68
Black United Fund	1,836,778.00	1,731,379.60	105,398.40
Alternative School Network	565,913.00	375,143.36	190,769.64
Westside Health Authority	662,984.27	606,318.97	56,665.30

<sup>13</sup> Upon receipt and review of the IDOT Audit Reports indicating that the alleged misconduct resulted in a loss of public funds exceeding \$5,000, the OEIG referred this matter to the Illinois Office of the Attorney General on October 28, 2010 pursuant to 5 ILCS 430/20-80. On December 8, 2010, the Office of the Attorney General responded to the referral stating that the matter was the subject of an active federal investigation, and therefore it would not be taking any action on the matter.



Chicago Area Project	3,083,357.00	2,869,142.88	214,214.12
<b>Totals</b>	\$6,609,745.11	\$5,966,161.97	\$643,583.14 <sup>14</sup>

### ***C. OEIG Review of IDOT Emails Relating to the SYEP***

#### ***1. Initial Emails Regarding Planning of the Program***

The OEIG obtained and reviewed numerous IDOT emails pertaining to the Program. The emails revealed that the planning for the Program began sometime around May 15, 2008 with an email from former Deputy Governor [redacted] to [redacted] pertaining to summer jobs wherein [redacted] asked [redacted] to call him as soon as possible. The two then exchanged emails discussing IDOT potentially funding the Program. A series of emails were exchanged between key parties involved in planning the Program. The primary people involved in these discussions included:

- **Former Governor Blagojevich's Office:** former Deputy Governor [redacted] and former Deputy Chief of Staff for Social Services [redacted];
- **DHS:** former Secretary [redacted] and former Chief of Staff [redacted]; and
- **IDOT:** former Secretary [redacted], Chief Counsel [redacted], and [redacted].

These initial emails discussed how the Program would be funded, how much money was needed, how the Contracts would be drafted so that IDOT Road Fund money could be used for the program DHS administered, and how to describe the type of transportation-related work that would comply with the Road Fund's statutory requirements and IDOT's appropriations language.

In a May 19, 2009 email message, IDOT attorney [redacted] informed IDOT Chief Counsel [redacted] that the appropriation in Line 7900 required that the money be used in connection with "the construction, maintenance, and operation of the public highway systems within the state." Therefore, any work performed by Youth Workers that was funded from the Road Fund would need to be "related to the improvement of the state highway systems such as litter pickup, painting and repairs." On May 21, 2008, [redacted] forwarded [redacted]'s message to [redacted].

#### ***2. Emails Regarding Second Payment to Fiscal Agents***

On August 8, 2008, IDOT Chief of Procurement and Contracts [redacted] sent an email to [redacted] and other IDOT personnel listing several matters that IDOT, DHS, and the Fiscal Agents agreed to during a conference call held earlier that day. In the email, [redacted] stated that all Fiscal Agents understood that IDOT would not process their second payments until IDOT received the time cards and reconciled the time cards with the first payment that had been paid to the Fiscal Agents.

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<sup>14</sup> IDOT sent invoices to the five Fiscal Agents for the amount of each overpayment. On May 7, 2010, the five Fiscal Agents authored a joint response letter to IDOT requesting that the invoices be rescinded and listing numerous reasons in support of a rescission. According to IDOT personnel, IDOT is taking steps to recover the overpayments from the Fiscal Agents.

On September 3, 2008, [redacted] sent an email to certain DHS employees<sup>15</sup> with a copy to [redacted] and other IDOT personnel. In the email, [redacted] reminded DHS that IDOT would not be able to process the second round of invoices from the Fiscal Agents until IDOT received and verified the documentation for the work completed by the Youth Workers. [Redacted] stated, “To date, we have received no documentation” (emphasis in original). [Redacted] also stated that the program would soon be completed and IDOT would like to receive all the documentation and reconcile the second/final payment before issuing any checks.

On September 9, 2008, [redacted] emailed former Deputy Governor [redacted]. In her email, [redacted] stated that IDOT had received boxes of information from DHS the previous Friday (September 5), and IDOT had concerns about the data received. In the email, [redacted] stated that, based on IDOT’s initial review, it appeared that *not all* the work performed by the Youth Workers was transportation-related and therefore the second payment to the Fiscal Agents could be reduced. The email referenced an earlier conversation between [redacted] and [redacted] wherein they apparently discussed the need to expedite the next payment to the Chicago Area Project (one of the five Fiscal Agents) because the Chicago Area Project was in a difficult financial situation. In the email, [redacted] stated that this payment should be processed by September 10, 2008.

On September 10, 2008, IDOT Chief of Procurement and Contracts [redacted] sent [redacted] an email in which he wrote:

I’m looking at the stacks of timesheets and I see a lot of red flags (meaning problems like no signatures from employees or supervisors) for CAP [Chicago Area Project]. . . .

Without having all the paperwork, we are going to have to make part of the second payment on good faith I suppose. We know it would be easier to have all the documentation and then we could do a final reconciliation. But I know we do not have that opportunity here.

On September 11, 2008, [redacted] sent an email to former IDOT Chief of Staff [redacted] with a copy to other IDOT staff including IDOT’s Chief Counsel [redacted], stating that IDOT staff worked late the night before reviewing the documentation received the previous week from the first half of the Program. [Redacted] stated that after reviewing the bulk of the documents “. . . that there were significant problems with the documentation.” She stated that the second half of the Program had reached closure and the Fiscal Agents had to pay the Service Providers for the second half of the Program. [Redacted] stated that IDOT was being asked to expedite the second payments to the Fiscal Agents. In an email, [redacted] wrote:

Rather than create additional financial hardship for each of the providers, IDOT will process the invoices for the second half and will prepare bills for the first half reconciling what was paid with what is supported by the documentation.

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<sup>15</sup> The email was sent to DHS employees [redacted] and [redacted].

[Redacted] also wrote that when IDOT received the documentation for the second half of the SYEP, another reconciliation would occur and additional bills may be generated. Specifically, [redacted] wrote, “Since these are being paid from the Road Fund and the State Highway Construction program, we have to ensure that there are no misappropriation of funds or that funds are not being used for non-transportation related purposes.”

#### ***D. Interviews of IDOT Employees***

##### *1. Interview of Then-IDOT Director of Finance and Administration [redacted]*

On April 20 and May 4, 2010, OEIG investigators interviewed [redacted] who at the time was IDOT’s Director of Finance and Administration and her immediate supervisor was former IDOT Secretary [redacted]. [Redacted] provided investigators with information related to the initiation of the SYEP, her communications with members of former Governor Blagojevich’s staff, and other communications had during the course of the SYEP.

##### *a. Initiation of the SYEP*

[Redacted] stated that former Deputy Governor [redacted] first contacted her with the proposal that IDOT fund the Program in May 2008. She said that IDOT’s funding for the Program was to come from the Road Fund. [Redacted] stated that the Road Fund had been used in the past for on-the-job training, but not for summer jobs such as the Program. [Redacted] stated that she consulted [redacted] to ensure that IDOT’s funding of the Program with Road Fund money would be legal, and [redacted] gave the opinion that IDOT could fund the Program with the Road Fund as long as the participants performed transportation-related work. [Redacted] stated that she was “not necessarily happy” about IDOT entering into the SYEP contract and said she involved the Chief Counsel’s Office in the Program from “day one.” She said that she was not going to take any action in the Program unless the Chief Counsel’s Office said it was legal to do so. She stated that, when she signed the contracts, she was affirming that the appropriations are available, but, according to [redacted], executive staff up to and including the Secretary is responsible for deciding whether or not entering into the contract was a fiscally sound decision.

[Redacted] stated that she was responsible for making sure funding was available for the Program. She said the initial estimated cost of the Program was \$4.5 million, but former DHS Secretary [redacted] kept pushing to use more of the Road Fund money. [Redacted] said she received calls from [redacted] in which [redacted] would say, “This is what you are going to do” and detailed additional Program expenditures from the Road Fund. She said that IDOT ultimately agreed to provide \$7 million from the Road Fund in order to fund the Program. [Redacted] said that she always complied with [redacted] request if the request was legal and [redacted] approved. As an example, [redacted] provided investigators with an email from [redacted] dated August 1, 2008 which states, “[Redacted] – idot needs to cover admin fees too if contracted, even if it takes you over 7m cap. Program has been a success so far, and I do not want to snatch defeat from the jaws of victory.” In response to [redacted] email, [redacted] said she informed [redacted] that IDOT would have to cancel other projects in order to provide more

than the \$7 million originally allocated for the SYEP, but if that was what was needed, IDOT would comply. [Redacted] replied to her, “Yes.” [Redacted] told investigators that she was unaware of which, if any, other projects IDOT cancelled to fund SYEP.<sup>16</sup>

During her interview, [redacted] also indicated that her staff made her aware of concerns regarding the Program. [Redacted] confirmed that there was a lot of pressure to go forward with the Program and was asked what she thought would have happened or would have been the consequences had she said “no” to allowing IDOT to fund this Program. In response to the question, [redacted] stated that in her opinion, she “would have been replaced” and further stated that “they would have found somebody that would’ve proceeded.”

b. Communications with Former Governor Blagojevich’s Staff

[Redacted] said that her role as Director of Finance and Administration was to ensure that IDOT could audit the program and recover reimbursements paid to Fiscal Agents that could not be substantiated or supported by documentation. She stated that she asked that the Fiscal Agents provide timesheets and evaluations to verify that participants were doing transportation-related work. She stated that getting this information from DHS was like “pulling teeth” and IDOT did not receive the information from DHS until the Program was almost completed. [Redacted] stated that, when IDOT began reviewing the paperwork, it became clear that some undocumented costs existed, and she then asked IDOT auditor [redacted] to conduct an audit of the five Fiscal Agents.<sup>17</sup>

[Redacted] stated that although the Fiscal Agents’ contracts provided that IDOT would conduct a mid-term evaluation of the program before releasing the second payment, the mid-term evaluation did not occur because DHS had not provided documents to IDOT at that time. [Redacted] recalled that [redacted] or Secretary [redacted] relayed a phone call received from Deputy Governor [redacted] in which [redacted] indicated that there were people “...marching into these community service providers with guns demanding that their child be paid” and that IDOT was “to go ahead and make that second payment” prior to performing the reconciliation. [Redacted] stated, based on the phone call from [redacted], it was relayed to her that the Governor’s Office was instructing IDOT to make the second payment to the Fiscal Agents. She said that Secretary [redacted] knew that she was making the second payment and authorized her to do so. [Redacted] said that she thought it was permissible to make the second payment because she spoke with [redacted] about the second payment and the Chief Counsel’s office “thought it was ok.” [Redacted] stated that IDOT was asked to participate in the SYEP in 2009, but declined. She said “never again” in reference to IDOT’s participation in the SYEP.

c. Other Communications during the SYEP

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<sup>16</sup> Former IDOT Director of Planning [redacted] informed OEIG investigators that it was his responsibility to ensure that Road Fund money was available to fund the Program. [Redacted] stated that because IDOT used money from its fiscal year 2009 budget rather than from the fiscal year 2008 budget, IDOT did not cut any projects to fund the Program.

<sup>17</sup> The findings of the Audit that [redacted] conducted are those set forth *supra* in Section III (B).



Subsequent to her May 4, 2010 interview, [redacted] provided OEIG investigators with copies of email correspondence. In one email dated September 9, 2008 from former IDOT Acting Chief of the Bureau of Business Services [redacted] to [redacted], [redacted] indicates that he communicated via email with [redacted] and “its (sic) pretty clear that her priority is to expedite payments.” In another email from [redacted] to IDOT personnel dated January 8, 2009, [redacted] stated that she had requested that [redacted] conduct an audit of the Program.

## *2. Interview of IDOT Chief Counsel [redacted]*

On April 21, 2010, OEIG investigators interviewed IDOT Chief Counsel [redacted]. [Redacted] stated that in May 2008, the Governor’s Office requested that IDOT participate in the Program. [Redacted] stated that, because IDOT’s funding of the Program came from Line 7900 of IDOT’s appropriations bill, the money had to be used for transportation-related purposes. [Redacted] stated that Line 7900 appropriated money to IDOT from the Road Fund for various highway-related purposes and for purposes allowed or required by the Illinois Highway Code.

[Redacted] stated that, in her opinion, the Program “was a disaster.” She stated that even though IDOT had used Road Fund money for summer work programs in the past, the 2008 SYEP was different because it was “so big” and was “thrown together at the last minute.” [Redacted] stated that the Fiscal Agents and the Service Providers had the burden of demonstrating that the work participants (Youth Workers) performed was transportation-related. [Redacted] stated that a reconciliation of the Program was to have occurred mid-way through the contract, but the reconciliation “. . . was a fiasco, that’s when the real red flags went up.” She stated that, when the Fiscal Agents shipped over large boxes of documents, IDOT found that the documents were “in terrible disarray” and were incomplete. IDOT called in extra staff members who went through the paperwork, and IDOT contacted the Fiscal Agents to tell them that they had to get this squared away because it was a mess. [Redacted] stated she did not know if the reconciliation was satisfactorily completed before the second payment was made and thought the determination would have been made by [redacted]’s department, because members of her ([redacted]’s) department were the ones that went through the documentation.

[Redacted] stated that she could not recall her involvement with regard to the second payments. She said that she may have been consulted in an email, but she did not recall. She stated that it was generally thought at IDOT that a couple of the Fiscal Agents were providing correct and adequate information, but most of the Fiscal Agents were not. She stated that there was a lot of angst about this issue and a lot of “red flags” at that point. She stated that she was not aware of the Governor’s Office calling about IDOT making the second payments, but speculated that the Governor’s Office “probably” called. She stated that she did not recall participating in any such conversations with the Governor’s Office. She said that she felt pressured by former DHS Secretary [redacted] “all the time” to pay the Fiscal Agents. During her interview, [redacted] was asked what she thought would have happened if she had said “no” to [redacted]. In response to the question, [redacted] stated that she “would have been looking for a new job probably.” She said IDOT “hated” being involved with the Program and did everything they could to put safeguards in place but “were proven right that it was a bad idea.” According to [redacted], IDOT now has to recover the money from the Fiscal Agents. She said that, because of all the problems with the SYEP in 2008, IDOT declined to participate in similar

programs in 2009 and 2010. She stated that IDOT is seeking repayment from the Fiscal Agents in the amounts determined to have been overpaid.<sup>18</sup>

3. *Interview of IDOT Chief of Procurement and Contracts [redacted]*

On January 30, 2009 and July 22, 2010, the OEIG interviewed IDOT Chief of Procurement and Contracts [redacted]. [Redacted] stated that discussions for the Program began in April or May of 2008 and the program was scheduled to begin on July 1, 2008 and run for eight weeks. He said that the Contracts were not signed by IDOT until July 28, 2008 so the Program started before all Contracts were in place. He stated that the funding came from the IDOT Road Fund and that Youth Workers had to perform transportation-related work.

[Redacted] stated that, during the Program, IDOT was supposed to receive weekly progress reports indicating what duties the Youth Workers were performing. [Redacted] stated when IDOT started receiving these progress reports, IDOT became concerned that Youth Workers were not performing transportation-related work. [Redacted] gave examples of non transportation-related work performed including reports indicating that Youth Workers worked at a day care and performed duties, such as:

- “changing sheets on beds,”
- “help[ing] serve snacks,” and
- “wash[ing] children’s hands.”

[Redacted] also gave examples of reports indicating Youth Workers worked at a golf course and performed duties, such as:

- “serve customers,”
- “bus tables,” and
- “stock wait station.”

[Redacted] stated, “As this thing was unfolding . . . there was considerable pressure from the previous Governor’s Office [i.e., the Blagojevich administration] to just keep this program going.” [Redacted] stated that IDOT received phone calls from [redacted] in the Governor’s Office and [redacted] at DHS asking why the second installment had not been paid and that IDOT should “make sure you pay these people, get the money out there.” [Redacted] stated that IDOT received one phone call indicating there was a parent who took a gun to a church because his child had worked in the Program but had not been paid. He said that this information made the Governor’s Office nervous, and the Governor’s Office called IDOT and said that the payments had to be made.

[Redacted] stated that IDOT did not receive any documentation for the SYEP until September 2008 when IDOT received approximately 14 banker boxes of documents from DHS and the Fiscal Agents. [Redacted] stated that five employees in his office conducted an extensive review of these timesheets and evaluations and prepared a tracking spreadsheet. He

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<sup>18</sup> As set forth *supra* in Section III (B), the amount IDOT will be seeking to recover is \$643,583.14.



said that IDOT had made the initial advance payment on the Contracts and then made the second payment about five weeks later. [Redacted] stated that, while the SYEP had ended, the Contracts with the Fiscal Agents were in effect until June 2009. [Redacted] said that, as his employees went through the paperwork, it became very clear that not all the work performed was transportation-related and that there was a concern about some of the hours reported. At this time, the vendors had already been paid pursuant to the contract. [Redacted] stated that he expressed his concern over the documents with [redacted], and [redacted] agreed that IDOT needed to conduct an audit of the paperwork. [Redacted] stated that, as part of the audit, IDOT was going to review the duties the Youth Workers performed, but that some of the evaluations did not list duties or had “sketchy” duties listed.

#### 4. *Interview of IDOT Chief Financial Review Officer [redacted]*

On July 16, 2010, the OEIG interviewed IDOT Chief Financial Review Officer [redacted], who had authored the internal IDOT Audit Reports on the five Fiscal Agents. [Redacted] stated that the audit reports held IDOT responsible for not conducting “sub-recipient on-site monitoring,” meaning there was no on-site verification by IDOT personnel of what the Youth Workers were actually doing. He explained that the audit disclaimed an opinion as to whether or not the work was transportation-related because the paperwork was so poor. IDOT instead chose to cite a concrete dollar amount of overpayment through an analysis of the W-2 and 1099 forms. He stated that most of the timesheets IDOT received for the Youth Workers in the Program were blank or very vague.

[Redacted] stated that the auditors attempted to contact some of the Youth Workers employed through one Fiscal Agent, the Alternative School Network, to determine what type of work they performed during the Program, but found it very difficult to contact the Youth Workers. He stated that very few of the Youth Workers returned auditor calls and many of the telephone numbers were no longer in service. Because of the lack of any response from Youth Workers, IDOT did not attempt to contact any Youth Workers employed by the other Fiscal Agents. He stated that contacting the Youth Workers and Service Providers to determine what work was performed was too time intensive, so the audits focused on what the Youth Workers were paid by reviewing the W-2 and 1099 forms provided by the Fiscal Agents. He said that reviewing the W-2 and 1099 forms allowed IDOT to cite a specific dollar amount that the Youth Workers were actually paid. [Redacted] stated that, if IDOT had sought to recover the entire amount of money paid to the Fiscal Agents for work that was not transportation-related, there would have been a protracted legal fight, and IDOT did not want to be in the position of having to argue over every single timesheet. [Redacted] stated that it was easier to prove what the Fiscal Agents actually paid for the Youth Workers through the tax forms and use that number to calculate how much IDOT overpaid the Fiscal Agents. [Redacted] felt that IDOT would be more likely to recover some money if they asked for the lower, more specific amount. [Redacted] stated that, with the existing paperwork, IDOT was able to determine that it overpaid the five Fiscal Agents \$643,583.14.

#### IV. ANALYSIS

This investigation revealed that in mid-May 2008, former Governor Blagojevich's Office and DHS pushed for IDOT's involvement in the SYEP. It appears as though IDOT was recruited so that the Governor's Office could use \$7 million of IDOT's Road Fund money to fund a portion of the program. However, in light of the fact that IDOT's Road Fund line item (Line Item 7900) and State law required Road Funds to be used only for transportation-related activities, IDOT and DHS entered into an IGA. The June 13, 2008 IGA specified conditions with regard to the type of work that could be funded with the Road Fund. As set forth above, Youth Workers were required to perform transportation-related activities. The SYEP commenced on July 1, 2008 and ran for eight weeks. IDOT signed the Agreements with the five Fiscal Agents in late July or early August 2008, after the Program had already commenced. The IGA and the Agreements contemplated that IDOT would make an initial payment to the Fiscal Agents to fund the Program, the Youth Workers would perform transportation-related work, IDOT would be provided weekly with reports from the Service Providers indicating the type of work the Youth Workers were performing, and IDOT would make the second payment to the Fiscal Agents after the Program had operated successfully for a four week time period.

##### ***A. The 2008 SYEP Was Ill-Conceived and Mismanaged.***

The OEIG investigation revealed that the 2008 Summer Youth Employment Program was ill-conceived and mismanaged on numerous levels, as set forth below:

- First, IDOT, which provided over \$7 million in funding, was not even brought into discussions regarding the Program until less than two months before the Program began.
- Second, the eight-week Program had been underway for approximately one month before Agreements with the Fiscal Agents were signed.
- Third, IDOT did not provide any on-site monitoring to ensure that Youth Workers were conducting transportation-related work, or any work at all for that matter.
- Fourth, IDOT did not receive the time sheets and reports for the Youth Workers in a timely manner, and the sloppy recordkeeping by some of the Service Providers rendered it practically impossible to determine exactly how much of the work performed by the Youth Workers was transportation-related.
- Fifth, when IDOT finally received the reports in September 2008, after the Program had ended, many of the reports failed to indicate that the work performed was transportation-related or were so vague it was difficult to determine how much of the work performed was actually transportation-related.

##### ***B. IDOT Improperly Authorized Payment to the Fiscal Agents.***

Under the terms of the IGA and the Agreements with the Fiscal Agents, the second installment should not have been paid unless and until IDOT determined that the SYEP had been "successfully operational for a period of four (4) weeks." IDOT made no such determination, yet [redacted] authorized the second payments totaling \$3,109,882.50 to be made. In fact, at the time IDOT made the second payments, IDOT staff was aware that documents submitted by the Fiscal Agents were not in order and realized that there were substantial problems with the

Program. Moreover, [redacted] said that, when IDOT began reviewing the paperwork, it became clear that some undocumented costs existed. [Redacted] echoed these observations and noted that documents Fiscal Agents provided were “in terrible disarray” and were incomplete. In other words, IDOT clearly knew and realized there were serious problems with the Program when it began reviewing the documents. To be sure, [redacted] said that, when IDOT started receiving the progress reports, it became concerned right away that the Youth Workers were not performing transportation-related duties. Despite these concerns and the ample evidence IDOT had that the Youth Workers were being paid to perform work that did not appear to have been transportation-related, IDOT nevertheless made a \$3,109,882.50 payment to the Fiscal Agents. No one from IDOT’s senior management team prevented IDOT from making the second payment to the five Fiscal Agents despite the problems that became readily apparent when IDOT received the time sheets and reports.

[Redacted] did request that audits of the SYEP be conducted by IDOT, and the audit findings were no surprise. [Redacted] and his staff conducted an extensive review of the SYEP payments to the Fiscal Agents with the information that was available from the Program and discovered that the five Fiscal Agents were overpaid to the tune of \$643,583.14 and probably more but for the poor record keeping documents provided to IDOT.

## V. RECOMMENDATIONS

Following its investigation, the OEIG issues these findings:

- **FOUNDED** – IDOT improperly authorized payments to the Fiscal Agents in the 2008 Summer Youth Employment Program without ensuring that the Program had been operating successfully for four weeks as required by the Agreements.
- **FOUNDED** – IDOT used funds from Line Item 7900 of IDOT’s State budget appropriations for work that was not transportation-related.

[The Commission has determined that this section should not be made public and redacts this section in accordance with 5 ILCS 430/20-52.]

The OEIG also recommends that IDOT pursue collection of the \$643,583.14 in overpayments made to the five Fiscal Agents.

No further investigative action is needed and this case is considered closed.

RECEIVED  
APR 18 2012

IN THE EXECUTIVE ETHICS COMMISSION  
OF THE STATE OF ILLINOIS

EXECUTIVE  
ETHICS COMMISSION

IN RE: Senior Management at IDOT

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08-01116

RESPONDENT'S SUGGESTIONS FOR REDACTION / PUBLIC RESPONSE

Please check the appropriate line and sign and date below. If no line is checked the Commission will not make your response public if the redacted report is made public.

X Below is my public response. Please make this response public if the summary report is also made public; or

\_\_\_\_\_ Below are my suggestions for redaction. I do not wish for these suggestions to be made public.

\_\_\_\_\_  
Respondent's Signature

\_\_\_\_\_  
Date

4-16-12

Instructions: Please write or type suggestions for redaction or a public response on the lines below. If you prefer, you may attach separate documents to this form. Return this form and any attachments to:

Illinois Executive Ethics Commission  
401 S. Spring Street, Room 513 Wm. Stratton Building  
Springfield, IL 62706

ATTACHED PUBLIC RESPONSE



# Illinois Department of Transportation

Office of Chief Counsel  
2300 South Dirksen Parkway / Springfield, Illinois / 62764

April 16, 2012

Chad Fornoff  
Executive Director  
Executive Ethics Commission  
401 S. Spring Street  
513 Wm. Stratton Building  
Springfield, Illinois 62701

Re: OEIG Case No. 08-01116 - Summer Youth Programs

Dear Mr. Fornoff:

The Illinois Department of Transportation ("IDOT") submits this letter in public response to the publication of the Final Report in the above-referenced matter.

IDOT agrees with the findings contained in the Final Report. The Summer Youth Program ("Program"), from its very inception, was flawed and problematic for a variety of reasons, which are addressed in the Final Report. IDOT agrees that the previous administration, IDOT and other State participants should have handled the Program differently.

Nevertheless, we would like to also provide you with the steps IDOT has taken to initially report and in follow-up to the Program:

1. At the request of then Director of Finance and Administration Ann Schneider, IDOT initiated this investigation by referring its concerns regarding the Program to the Office of the Executive Inspector General;
2. At the direction of then Director of Finance and Administration Ann Schneider, IDOT initiated and completed a detailed audit of the Program;
3. IDOT has taken and continues to take appropriate action to recover unsupported and/or improper payments.

Thank you for the opportunity to respond and please feel free to call me if you have any questions. (217) 782-0692

Sincerely,

[signed]

Ellen Schanzle-Haskins  
Chief Counsel



OFFICE OF EXECUTIVE INSPECTOR GENERAL  
FOR THE AGENCIES OF THE ILLINOIS GOVERNOR

607 EAST ADAMS STREET, 14<sup>TH</sup> FLOOR  
SPRINGFIELD, ILLINOIS 62701  
217-558-5600

OEIGG RESPONSE FORM

Case Number:  
08-01116

Return By:  
20 Days After Receipt of Report

Please check the box that applies.

- ☒ We have implemented all of the OEIGG recommendations.  
(Provide details regarding action taken.)

See attached.

- ☐ We will implement all of the OEIGG recommendations but will require additional time.  
We will report to OEIGG within 30 days from the original return date.  
(Provide details regarding action planned / taken.)

(over)



- ☐ We are implementing one or more of the OEIGG recommendations, however, we plan to depart from other OEIGG recommendations.

(Provide details regarding action planned / taken and any alternate plan(s).)

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- ☐ We do not wish to implement any of the OEIGG recommendations.  
(Explain in detail why and provide details of any alternate plan(s).)

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Signature

John Schomberg  
Print Name

Office of the Governor - (Summer) Course  
Print Agency and Job Title

11/22/11  
Date

ADDENDUM TO OEIG RESPONSE FORM IN CASE NO. 08-01116

The Office of the Governor has the following plan to address the issues identified in the OEIG's Final Report in Case No. 08-01116:

[redacted]

The OEIG also recommends that IDOT pursue collection of the \$643,583.14 in overpayments made to the five Fiscal Agents.

Office of the Governor Response: IDOT is currently in the process of seeking to recoup the overpayments that were made to the five Fiscal Agents.

[redacted]

If there are any questions, please feel free to call General Counsel John Schomberg, at